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On November 13, 2020, Suzumo Machinery Co., Ltd. (Suzumo) announced earnings results for 1H FY03/21.

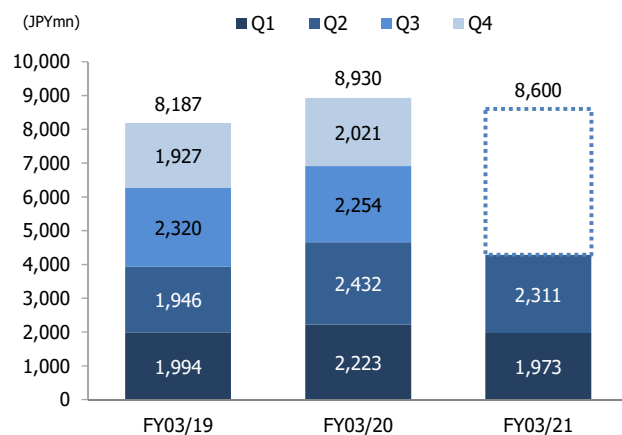
Cumulative (JPYmn)	FY03/20				FY03/21		FY03/21			
	Q1	Q2	Q3	Q4	Q1	Q2	% of 1H	1H Est.	% of FY	FY Est.
Sales	2,223	4,655	6,910	8,930	1,973	4,284	101.5%	4,220	49.8%	8,600
YoY	11.5%	18.2%	10.4%	9.1%	-11.3%	-8.0%		-9.4%		-3.7%
Gross profit	1,050	2,196	3,321	4,245	890	1,920				
YoY	6.8%	16.2%	10.5%	8.3%	-15.3%	-12.6%				
Gross profit margin	47.2%	47.2%	48.1%	47.5%	45.1%	44.8%				
SG&A expenses	873	1,772	2,608	3,479	842	1,740				
YoY	5.4%	6.5%	7.3%	7.8%	-3.6%	-1.8%				
SG&A-to-sales ratio	39.3%	38.1%	37.8%	39.0%	42.7%	40.6%				
Operating profit	177	424	713	766	48	180	116.4%	155	41.9%	430
YoY	14.5%	88.5%	23.8%	10.5%	-72.8%	-57.5%		-63.4%		-43.8%
Operating profit margin	8.0%	9.1%	10.3%	8.6%	2.4%	4.2%		3.7%		5.0%
Recurring profit	178	425	644	702	48	178	115.1%	155	42.5%	420
YoY	15.9%	87.1%	10.8%	0.9%	-72.9%	-58.1%		-63.5%		-40.2%
Recurring profit margin	8.0%	9.1%	9.3%	7.9%	2.4%	4.2%		3.7%		4.9%
Net income	-38	162	232	322	30	117	117.0%	100	40.4%	290
YoY	-	4.1%	-38.3%	-31.4%	-	-27.6%		-38.1%		-9.8%
Net margin	-	3.5%	3.4%	3.6%	1.5%	2.7%		2.4%		3.4%

Quarterly (JPYmn)	FY03/20				FY03/21	
	Q1	Q2	Q3	Q4	Q1	Q2
Sales	2,223	2,432	2,254	2,021	1,973	2,311
YoY	11.5%	25.0%	-2.8%	4.9%	-11.3%	-5.0%
Gross profit	1,050	1,146	1,125	924	890	1,031
YoY	6.8%	26.5%	0.8%	1.1%	-15.3%	-10.1%
Gross profit margin	47.2%	47.1%	49.9%	45.7%	45.1%	44.6%
SG&A expenses	873	900	836	871	842	898
YoY	5.4%	7.6%	9.2%	9.3%	-3.6%	-0.1%
SG&A-to-sales ratio	39.3%	37.0%	37.1%	43.1%	42.7%	38.9%
Operating profit	177	247	289	53	48	132
YoY	14.5%	251.4%	-17.7%	-54.9%	-72.8%	-46.5%
Operating profit margin	8.0%	10.2%	12.8%	2.6%	2.4%	5.7%
Recurring profit	178	248	219	58	48	130
YoY	15.9%	234.8%	-38.2%	-49.2%	-72.9%	-47.4%
Recurring profit margin	8.0%	10.2%	9.7%	2.9%	2.4%	5.6%
Net income	-38	199	71	89	30	87
YoY	-	298.7%	-68.0%	-3.0%	-	-56.1%
Net margin	-	8.2%	3.1%	4.4%	1.5%	3.8%

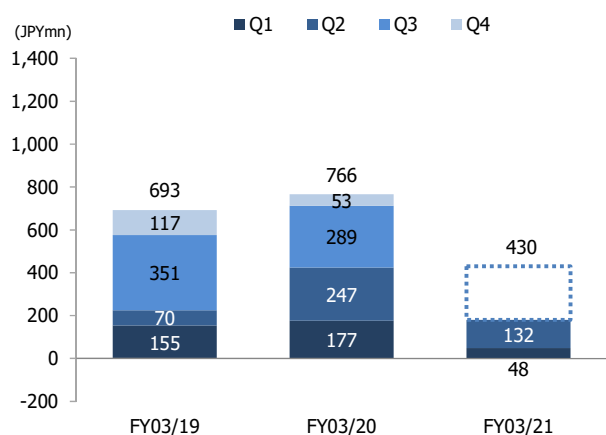
Source: Shared Research, based on company data

Note: Figures above may differ from those shown in company materials due to differences in rounding.

Sales breakdown by quarter



Operating profit breakdown by quarter



Source: Shared Research, based on company data

1H FY03/21 results (out November 13)

1H FY03/21 results overview (April–September 2020)

- ▷ Sales: JPY4.3bn (-8.0% YoY)
- ▷ Operating profit: JPY180mn (-57.5% YoY)
- ▷ Recurring profit: JPY178mn (-58.1% YoY)
- ▷ Net income* JPY117mn (-27.6%)

* Net income attributable to owners of the parent

- ▷ With no sign yet of the COVID-19 pandemic being resolved, and many countries around the world experiencing a spread of the infection, the market outlook remains uncertain. Even in Japan, capital investment has declined due to worsening corporate performance, and employment income continues to deteriorate, meaning that low personal consumption is becoming long-term. In such conditions, sales fell 8.0% YoY to JPY4.3bn. By region, sales fell 5.2% YoY to JPY3.3bn in Japan and dropped 16.6% YoY to JPY950mn overseas. Starting in FY03/20, the company changed its segmentation scheme and now has only one reportable segment, so it no longer discloses information by segment.
- ▷ Sales in Japan: Although the COVID-19 pandemic had an impact in Q1 (April–June 2020), sales demonstrated recovery in Q2 (July–September 2020) as new demand arose with a restructuring of the industry toward take-out and deliveries. The heightened awareness of hygiene among businesses and end consumers brought an expansion to sanitary material-related sales in Q1; this trend continued into Q2, meaning that sales only fell by 5.2% YoY.
- ▷ Overseas sales: Although the COVID-19 pandemic had a significant impact in Q1 (April–June 2020), sales were recovering in Q2 (July–September 2020) as economic activity gradually resumed. However, weak sales in the Asia region meant that sales fell 16.6% YoY.
- ▷ On the earnings front, operating profit fell 57.5% YoY to JPY180mn as the impact of lower sales outweighed YoY reductions of 3.9% to CoGS and of 1.8% to SG&A expenses.

Full-year company forecasts for FY03/21

(JPYmn)	FY03/18			FY03/19			FY03/20			FY03/21		
	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Act.	FY Act.	1H Act.	2H Est.	FY Est.
Sales	4,662	4,450	9,112	3,940	4,246	8,187	4,655	4,275	8,930	4,284	4,316	8,600
YoY	-0.4%	-6.0%	-3.2%	-15.5%	-4.6%	-10.2%	18.2%	0.7%	9.1%	-8.0%	1.0%	-3.7%
Cost of goods sold	2,400	2,359	4,759	2,051	2,216	4,267	2,459	2,226	4,685	2,364	-	-
Gross profit	2,262	2,091	4,353	1,889	2,030	3,919	2,196	2,048	4,245	1,920	-	-
Gross profit margin	48.5%	47.0%	47.8%	48.0%	47.8%	47.9%	47.2%	47.9%	47.5%	44.8%	-	-
SG&A expenses	1,612	1,503	3,115	1,664	1,562	3,226	1,772	1,707	3,479	1,740	-	-
SG&A-to-sales ratio	34.6%	33.8%	34.2%	42.2%	36.8%	39.4%	38.1%	39.9%	39.0%	40.6%	-	-
Operating profit	650	588	1,238	225	468	693	424	342	766	180	250	430
YoY	-4.7%	-19.3%	-12.2%	-65.4%	-20.4%	-44.0%	88.5%	-27.0%	10.5%	-57.5%	-26.9%	-43.8%
Operating profit margin	13.9%	13.2%	13.6%	5.7%	11.0%	8.5%	9.1%	8.0%	8.6%	4.2%	5.8%	5.0%
Recurring profit	654	583	1,237	227	469	696	425	277	702	178	242	420
YoY	-4.2%	-20.3%	-12.5%	-65.3%	-19.5%	-43.7%	87.1%	-40.9%	0.9%	-58.1%	-12.8%	-40.2%
Recurring profit margin	14.0%	13.1%	13.6%	5.8%	11.0%	8.5%	9.1%	6.5%	7.9%	4.2%	5.6%	4.9%
Net income	436	397	833	155	313	469	162	160	322	117	173	290
YoY	40.0%	-22.1%	1.5%	-64.4%	-21.0%	-43.8%	4.1%	-48.9%	-31.4%	-27.6%	8.1%	-9.8%
Net margin	9.4%	8.9%	9.1%	3.9%	7.4%	5.7%	3.5%	3.7%	3.6%	2.7%	4.0%	3.4%

Source: Shared Research, based on company data

Note: Figures above may differ from company materials due to differences in rounding.

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